# REMARKS

**Status of this application**

In the Office Action mailed on August 25, 2005, the Examiner reopened the prosecution in view of the Appeal Brief filed on January 4, 2005 and issued a new non-final rejection of claims 1-22 under 35 U.S.C. §102(e) as being anticipated by Lewis et al. Patent 6,611,815 (hereinafter "Lewis").

This response is being filed under 37 CFR §1.111 and requests reconsideration of the outstanding rejection for the reasons given below. This response deals with these rejections in the same order as they were presented in the outstanding Office Action after briefly summarizing some of the key distinctions between applicant's claimed invention and the method for administering annuity payments described by Lewis.

This response amends claims 1, 10, and 15-19 to clarify antecedent references within those claims.

An Information Disclosure Statement filed with this response also supplies a copy of pages 69-75 and 274-275 from "*The Promise of Private Pensions : The First Hundred Years*" by Steven A. Sass, Harvard University Press (1997), ISBN: 0674945204 (hereinafter "Sass") which is discussed at the conclusion of these remarks.

**Summary of Novel Claimed Features**

Lewis describes methods for providing an investor with a "deferred annuity." As explained on page 3 of applicants' specification, deferred annuities of the type described by Lewis suffer from a number of disadvantages:

> "Deferred annuity contracts are typically sold in exchange for a lump sum premium, possibly with a contract to make additional payments until retirement, and grow at variable rate (sometimes with partial guarantee of rate) until retirement. Annuity contracts typically make payments for single life, joint life, or for period certain, with other options for minimum payout and recovery of some amount of cash value. While these features are desirable, conventional deferred annuity contracts exhibit most if not all of the following significant disadvantages: <u>the rates of return is either not guaranteed, or guaranteed only for a short term [and] annuity contracts are typically complex and</u>

hard to understand, making it difficult for most investors to make the sound choices needed to properly fund their retirement . . ." (emphasis added).

These disadvantages are typical of deferred annuities, including the deferred annuities disclosed by Lewis, and a brief discussion of each will provide a better understanding of important claimed differences between the deferred annuity products and methods disclosed by Lewis and those claimed by applicants.

The rate of return which Lewis provides "is either not guaranteed or guaranteed only for the short term." Applicants' invention as claimed provides the investor with a future annuity income in amounts and at times that are specified in the instrument at the time of purchase. Thus, the investor can count on receiving annuity income payments in specified amounts at specified times beginning at a specified maturity date. In contrast, the dollar amount of the income payments which the Lewis deferred annuity provides is not known with certainty until the amount of accumulated account value is applied to the purchase of an annuity benefit (col. 2, lines 39-43), and Lewis' deferred annuity contract does not specify a maturity date.

In the case of a fixed deferred annuity as taught by Lewis, the amount of interest the investment earns during the accumulation phase is reset periodically, typically every year (col. 2, lines 2-6) and, in the case of a variable deferred annuity, the account value can either increase or decrease with time, depending on the performance of the fund(s) into which the investor's deposits are made (col. 2, line 53 *et seq.*). Thus, in both cases, the actual rate of return of a Lewis deferred annuity is not known, and the amount and times of the future annuity payments are not specified at the time of purchase as claimed by applicants. Note also that applicants' invention provides a payout at a definite maturity date stated in the instrument, which enables not only the amounts but also the times of future payouts to be known with certainty by the investor. Lewis nowhere mentions a stated maturity date, and instead speaks of the time "when the annuity contract owner elects the annuity benefit option from among his or her choices." (col. 3, lines 5-8).

The Lewis deferred annuity contract, like other conventional deferred annuities, is "complex and hard to understand, making it difficult for most investors to make the sound choices needed to properly fund their retirement." Although the Lewis method takes special steps to provide the investor with ongoing knowledge about the annuity contract's current account value, the investor has no way of relating this revealed current account value to a

specified future income. Applicants' invention permits accumulated savings to be reported to the saver as a current value and as a defined future income, which aids in financial planning and gives confidence to the saver. While estimates can be made of the future income derivable from investments that do not have a minimum return or conversion rate, such estimates leave unanswered the impact of the variance of returns, and there can be substantial probabilities of underperforming the estimate. Compare, for example, the understanding an investor has of the relevant value of a share that has a stated current value and will begin paying $1/month for life beginning at a stated maturity date with a share whose future payout is, at best, estimated by the formulas given in column 6 of Lewis.

In addition, the present invention takes the form of a method for issuing and managing an investment instrument or product that entitles its holder to obtain either a lump sum payment at a stated maturity date, or alternatively at the option of the holder, to obtain a sequence of annuity payments in amounts and at times specified by the instrument (for example, entitling the holder to receive $1 per month per share for the life of holder).

Lewis describes a method for administering a fixed annuity contract in which the investor makes deposits during an accumulation phase and thereafter, at a time called "annuitization" chosen by investor, the investor exchanges the accumulated value of the annuity contract into a promise by an insurer to pay a series of benefit payments (see Lewis, col. 2, lines 39-52). Lewis describes a "fixed annuity" in which the insurer guarantees a rate of interest (typically reset ever year as indicated at col. 2, lines 2-6) that is applied to the deposits made, and a "variable annuity" in which the deposits are directed to a fund and the accumulated value of the annuity contract varies based on the performance of the fund.

In Lewis' method, the amount of the annuity benefit payments that are to be made to the investor after annuitization are not definitely determinable as to dollar amount until annuitizaton occurs; that is, until the time when the investor elects the annuity benefit option from his or her choices (col. 2, lines 49-52). In contrast, in applicant's invention as claimed, the future annuity payments are specified by both amount and time of payment in the purchased instrument as issued. Thus, at the time the instrument is purchased, the investor knows both the amounts of the promised future income payments and the times at which those payments will be made.

**Specific Claim Rejections**

**Claims 1 and 3**

With the foregoing as background, attention may now be turned to the specific points of rejection raised by the Examiner. With respect to claims 1 and 3, the Examiner stated:

> *"Lewis teaches . . . creating a security which represents a claim against and is secured by said investment fund, said security entitling its holder to receive, at one or more future maturity dates specified by said security, either a lump sum payment amount (col. 1, lines 34-45) or, at the option of said holder, to receive a sequence of annuity payments, the amount and payment date of each of said annuity payments being specified by said security col. 2, lines 39-52)."*

As noted above, Lewis nowhere suggests that the disclosed deferred annuity contracts are "securities." The Examiner's attention is directed to applicant's specification at page 8 where the term "security" is defined and has a specific meaning. Lewis nowhere suggests the creation of securities as defined there. The cited passage in Lewis at col. 1, lines 34-45 mentions a "lump sum," but that statement refers to the lump sum amount that is paid by the annuitant to purchase an immediate annuity. The cited passage at col. 2, lines 39-52 describes annuity benefit payments that are "level forever, such as $1,000 per month," but goes on to note that "the fixed annuity benefit payments are definitely determinable as to dollar amount at the point where the annuity contract owner elects the annuity benefit option from among his or her choices." Thus, after the contract holder elects an annuity and the payment amount is determined, those payments amounts may thereafter be "level forever" but these payment amounts are not specified in the instrument at the time of purchase as claimed, but rather at the time the annuity option is elected. Thus, as noted earlier, the Lewis annuity contract does not specify either a maturity date at which a lump sum amount will be paid nor does the contract as purchased specify either the amounts and payment dates for the future annuity payments as claimed.

With respect to the further claim limitation that states "*on or after said maturity date, transferring either said lump sum payment amount or said annuity to said holder as elected by said holder,*" the Examiner cited col. 5, lines 25-45 of Lewis. That cited passage explains how Lewis enables an investors who have purchased immediate annuities are allowed to "see their money" by periodically determining the death benefit and the surrender benefits that are currently available at any time during the annuity payout phase. This passage, and other portions of the Lewis patent, describes how the surrender value of a contract is periodically reported, but

does not describe an instrument with a specified maturity date that entitled the holder to receive a defined future annuity consisting of specified payment amounts at specified dates beginning at that maturity date as claimed.

The Examiner further stated:

> *"In other words, Lewis discloses fixed annuity. It depends on the annuitants to choice a specific fixed annuity that includes the certainty of the dollar amount upon retirement. The specific dollar a person contributes to his/her fund then the exact amount is calculated for the years in relation to retirement. For example, Lewis discloses the account value at the end of the prior month is $95,000.00, net investment earnings for the month are $900.00, and the amount of the periodic (monthly) income payment is $1,500,00, then the current amount value would be $94,400.00."*

As the Examiner has noted, Lewis does disclose a fixed annuity as described at col. 5, lines 25-45, but the passage cited describes how the account value of an already elected and purchased immediate annuity changes over time as the fund experiences investment earnings and makes monthly income payouts. The cited passage does not describe an instrument with a specified maturity date that entitled the holder to receive a defined future annuity at an after that future maturity date. It merely explains how the account value of an already purchased immediate annuity is calculated and reported.

**<u>Claim 2</u>**

With respect to claim 2, the Examiner states:

> *Re claim 2, Lewis teaches a method for producing and distributing investment securities (figs. 3-4) comprising, in combination, the steps of:*
>
> *creating a security which comprises a contract in which the issuer of the security promises to pay to the holder of the security a predetermined guaranteed lump sum cash payment at a predetermined maturity date or to pay, in the alternative and at the option of the holder, a sequence of predetermined annuity payments at defined times (col. 5, line 25 to col. 6, line 65),*

As noted above, Lewis' annuity contracts do not specify a maturity date, do not specify a guaranteed lump sum cash payment amount that is payable at that maturity date or, in the alternative and at the option of the holder, the right to receive sequence of predetermined annuity payments at defined times. Instead, Lewis discloses a mechanism for periodically determining and reporting to the contract holder the value of the account (its surrender value). The lump sum amount a contract holder is entitled to receive is continuously recalculated and is not guaranteed,

nor is a maturity date specified. The amounts of the future annuity payments are not determined until the contract holder elects the annuity option benefit (e.g. "annuitizes" the current account value).

Thus, in both cases, the actual rate of return of a Lewis deferred annuity is not known, and the amount and times of the future annuity payments are not specified at the time of purchase as claimed by applicants. Note also that applicants' invention provides a payout at a definite maturity date stated in the instrument, which enables not only the amounts but also the times of future payouts to be known with certainty by the investor. Lewis nowhere mentions a stated maturity date, and instead speaks of the time "when the annuity contract owner elects the annuity benefit option from among his or her choices." (col. 2, lines 50-53).

The Examiner further suggests that Lewis discloses "*issuing said security to a holder in advance of said maturity date in return for a purchase price payment,*" citing col. 11. But Lewis does not suggest, in column 11 or anywhere else, that any of the disclosed contracts take the form of "securities" as defined by applicant at page 8 of the specification. Column 11 instead describes how the benefits paid are calculated, taking into account the insurance cost of the "lifetime guarantee." The annuity contracts described by Lewis are nowhere suggested to be "securities" as claimed.

**Claim 4**

With regard to claim 4, the Examiner states:

> *"Re claim 4, Lewis teaches performing during an accumulation period after said step of transferring and before said future maturity date, of publishing, reporting or otherwise revealing both the amount of said future income and the stated current monetary value of said units or shares expressed in said specified currency (col. 12. lines 8-35). Lewis discloses that the annuitant knows at all times the lump sum value of investment performance."*

Lewis does reveal the current monetary value of the annuity contract as noted by the Examiner but does not reveal the "amount of said future income" during the period beginning after the transfer to the holder in exchange for the purchase price. As discussed above, the amount of future income is not determined until the contract owner elects the annuity option. In addition, claim 4 is dependent on claim 3 and is hence allowable for the reasons expressed above with respect to claim 3.

**Claims 5, 11-12 and 16-17**

The Examiner stated:

> *"Re claims 5, 12-13, and 16-17, Lewis teaches instrument entitles its holder to redeem upon request made during said accumulation period some or all of units or shares for said stated current monetary value (col. 5, lines 40-45. col. 13 lines 20-31)."*

Claims 5, 12-13, and 16 are dependent claims which are allowable for the reasons presented with respect to their respective parent claims.

Applicant agrees that Lewis teaches determining and reporting the current account value of an annuity contract during both the accumulation phase and during the payout phase and that, "During the accumulation phase, and subject to surrender charges, the contract holder has full access to the account value." (col. 3, lines 55-57). Lewis further states, at col. 12, lines 45-49, that certain embodiments of the Lewis annuity contracts provide a cash surrender value which upon surrender of the contract makes a lump sum payment to the owner equal to the account value at that time "perhaps reduced by a surrender charge." Applicants note, for the record, that the cited passages at col. 5, lines 40-45 and at col.13 lines 20-31 deal with partial withdrawals during the payout phase, and not redemption. Thus, while Lewis does not contain a clear teaching of the subject matter recited in claims 5, 12-13 and 16, applicant here relies on the limitations stated in the parent claims in requesting reconsideration of those dependent claims.

Claim 17, which was included by the Examiner in the statement regarding redemption, relates to the designation of the future annuity as a specific monetary unit, a topic treated next in connection with the rejection of claims 6-18 and 21-22.

**Claims 6-18 and 21-22**

Claims 6-18 and 21-22 all specify that the holder is entitled to receive a future income expressed as a specified monetary unit of a specified currency payable at periodic calendar intervals. With regard to that limitation, the Examiner stated:

> *"Re claims 6 and 20, Lewis teaches single monetary unit of a specified currency payable for each of said units or shares at periodic calendar intervals is a specified integral number of dollars payable monthly, quarterly or annually for each of said units or shares (cal.6, lines 60-63. col. 5 lines 40-45). Lewis discloses annuitants know exactly how much money they have annually"*

The cited passage at col. 6, lines 60-63 states that benefit payments may be determined by a variety of methods, but does not suggest that the contract holder is entitled to payments of specified amounts at specified times, let alone that the specified future payments be expressed in the instrument as a specified monetary unit of a specified currency payable at periodic calendar intervals as claimed. The passage at col. 5 lines 40-45 describes how the current account value of an immediate annuity is reported, and does not describe an investment product which, as issued and when purchased, obligates the issuer to provide annuity payments at a future maturity date of specified amounts and at specified times. The monthly income payment of "$1,500" stated at col. 5, line 45, is merely an illustrative example of an actual payment made to illustrate how the current account value is affected by that payment and by an illustrative investment earnings of $900, and is not a teaching of that the contract as issued and as purchased by the contract holder specified the amount of future income payments (which, as discussed above, are not known until the contract holder elects the annuity option). The Lewis deferred annuity contracts do not specify future annuity payment amounts and times at all, let alone expressing the payment amounts and times "as a specified monetary unit of a specified currency payable at periodic calendar intervals" as claimed.

The Examiner further stated:

> *Re claims 7-9, 11, 18, and 21-22, Lewis teaches single monetary unit of specified currency payable for each of said units or shares at periodic calendar intervals is one dollar per month for each of said units or shares (col. 10, lines 33-55), In other words, Lewis discloses annuitant knows payable amount by the amount he/she contributes to his/her monetary unit whether one dollar or percentage amount.*

The cited passage at col. 10, lines 33-55, describes three different ways in which the cost of providing a "lifetime benefit" may be charged. In one example way, stated at lines 43-47, it is stated that "*For example, a level charge might be 10% of each payment, so that if a given benefit payment is $1,000, a charge of $900 would be deducted, ant the balance of the benefit payment ($900) would be paid to the owner.*" Again this is an illustrative example using illustrative numbers to show how a calculation is made "if a given payment is $1,000" but the cited passage plainly does not teach that the contract, as issued and initially purchased, obligated the issuer to pay $1,000 per month. As other portions of the Lewis disclosure make clear, the actual monetary amounts of annuity payments are not determined until the account value is converted into an annuity when the contract holder elects the annuity benefit.

The Examiner further stated:

> *"Re claims 10, 15, and 19, Lewis teaches a method for issuing and redeeming an investment instruments that entities is holder to receive a specified minimum annuity income after a maturity date (col. 6-7)"*

In the cited columns 6 and 7, Lewis discloses a set of formulas which may be used to calculate the amount of the future income benefits which will be paid. In every case, the actual payment depends on a number of factors, including "N=number of years the account value is maintained." But since Lewis' contracts do not have a specified maturity date, but instead allow the contract holder to elected an annuity benefit from his or her other investment choices (apparently at any time), the number of years of accumulation "N" is not specified in the contract. In addition, the actual rate at which the investor makes deposits is not known (the formulas use "AIR=assumed investment rate," and the charges which are made also vary, as discussed at length by Lewis. Hence, while Lewis provides formulas which can be used to estimating the amount of the future income based on a given set of variable assumptions, the teaching in cols. 6 and 7 actually refutes any contention that the amounts and times of the future benefit payments are specified in the contract when issued.

The Examiner further states, with respect to claims 10, 15 and 19:

> *"paying to said owner of said instrument at said maturity date a minimum lump sum cash payment specified by instrument or, in the alternative and at the option the owner, transferring to said owner in exchange for said instrument or said lump sum payment the right to receive for each of said units or shares at least said specified monetary unit of said specified currency payable at said periodic calendar intervals (col. 9, line 54 to col. 10, line 55).*

The cited passage at cols. 9 and 10 describes how the account values are calculated and reported as shown in Lewis flow charts, Figs. 3 and 4. This includes a calculation of the cash surrender value and the amount of the benefit to be paid (if the contract is in the payout phase). However, this teaching does not suggest the creation of an investment instrument or product which entitles its holder to receive a future income the amounts and times of which are specified in the instrument as issued, let alone an instrument which specifies those future payments as a specified monetary unit of a specified currency payable at periodic calendar intervals as claimed.

**The Sass book cited in the accompanying IDS**

The portion of the Sass book cited in and attached to the accompanying Information Disclosure Statement came to applicant's attention while this application was on appeal. The following comments are offered to assist the Examiner in considering this newly cited reference.

At pages 68-75, Sass describes the evolution of pension products which were offered by Metropolitan Life, which Sass calls "the first life insurance company to enter the pension business." In the last paragraph on page 69, Sass describes the first product offered by Metropolitan when it *"entered the pension business in 1920 [and] offered to sell, on a group insurance basis, noncashable, nonforfeitable, single-premium deferred annuity (SPDA) contracts called "pension bonds" that paid ten dollars a year for life, beginning at age 65."*

Thus, these 1920 "pension bonds" described by Sass, like applicants' invention, obligated the issuer to pay to the annuitant a future income which, unlike conventional deferred annuity contracts such as those taught by Lewis, was specified both as to payment amount and the time of payment in the instrument, and in which the future payments were expressed as a specified monetary unit of a specified currency payable at periodic calendar intervals beginning at a specifed maturity date (i.e., "ten dollars a year for life, beginning at age 65").

The 1920 "pension bonds" did not, however, include several other features of applicants' invention as claimed. Pension bonds only entitled the holder to receive the stated annuity payments, but were otherwise "noncashable" and "nonforfeitable;" and plainly did not entitle the holder to instead receive a lump sum payment at maturity which could be elected at the option of the holder instead of the annuity payments, nor were the pension bonds redeemable prior to maturity.

The Sass book further states, at page 72, that "After four years of trying, 1920 to 1923, the Met had 'reinsured' or assumed the risk, of just one plan. That contract, moreover, made no use of pension bonds . ." At page 73, Sass explains that the Metropolitan installed its first contributory plan in 1924, but that plan made payments under a "level-premium deferred annuity" which paid participants an "actuarially calculated 'Income.'" Thus, from Sass' description, the "pension bonds" offered by Metropolitan were never actually implemented as a working pension plan.

Applicants have no information about the Metropolitan "pension bonds," other than the description given in the Sass book. However, since the Sass book was published in 1997 and

contains a limited description of these bonds, it has been provided for the Examiner's consideration.

## Conclusion

It is respectfully submitted that the subject matter set forth in claims 1-13 and 15-22 is neither suggested nor disclosed by the art of record, and allowance of these claims as now presented is requested.

Respectfully submitted,

Dated: October 28, 2005

Charles G. Call, Reg. 20,406

## Certificate of Transmission under 37 CFR 1.8

I hereby certify that this *Amendment* is being transmitted by facsimile to the central facsimile number of the U.S. Patent and Trademark Office, (571) 273-8300, on October 28, 2005.

Dated: October 28, 2005

Signature ______________

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